

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: DeSaulnier/ Torlakson Analyst: Matthew Cooling Bill Number: SB 516  
 Related Bills: See Prior Analysis Telephone: 845-5983 Amended Date: April 29, 2009  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Establish Voluntary Contribution For California Fund For Youth

☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced February 26, 2009.

\_\_\_\_\_ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

\_\_\_\_\_ AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

☒ FURTHER AMENDMENT NECESSARY.

\_\_\_\_\_ DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

\_\_\_\_\_ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED/AMENDED \_\_\_\_\_ STILL APPLIES.

☒ OTHER – See comments below.

**SUMMARY**

This bill would establish the California Youth Legislature, the California Fund for Youth, and a designation for a voluntary contribution on the personal income tax return to the California Fund for Youth.

**SUMMARY OF AMENDMENTS**

The April 29, 2009, amendments would add contingency language and establish a minimum contribution amount.

As a result of the amendments, the "Implementation Considerations," "Technical Considerations," and "Policy Concerns" discussed in the department's analysis of the bill as introduced February 26, 2009, have been resolved. Further, "This Bill," "Implementation Considerations," and "Fiscal Impact" discussions as provided in the analysis of the bill as amended have been revised. The "Economic Impact" discussion has been included below for convenience. Except for the discussions listed here, the remainder of the department's analysis of this bill as introduced February 26, 2009, still applies.

Board Position:

\_\_\_\_\_ S \_\_\_\_\_ NA \_\_\_\_\_ NP  
 \_\_\_\_\_ SA \_\_\_\_\_ O \_\_\_\_\_ NAR  
 \_\_\_\_\_ N \_\_\_\_\_ OUA ☒ PENDING

Asst. Legislative Director

Date

Patrice Gau-Johnson

6/1/09

## **SUMMARY OF SUGGESTED AMENDMENT**

Technical amendment 1 has been provided to correct a drafting error related to tax payments and tax credits reported on the personal income tax return.

### **POSITION**

Pending.

### **ANALYSIS**

#### **THIS BILL**

This bill would establish the California Fund for Youth and would allow taxpayers to designate their own funds (not tax liability) for contribution to the fund on their personal income tax returns in full dollar amounts of \$1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the original return for the taxable year and, once made, are irrevocable.

This bill would require Franchise Tax Board (FTB) to revise the personal income tax return to include a designated space for the fund beginning with the first taxable year another voluntary contribution fund is removed.

For the second taxable year the fund is on the return, this bill would require the fund to meet the \$250,000 minimum contribution test. FTB is required to estimate by September 1 of any calendar year after the first taxable year the fund appears on tax returns if contributions made under this bill would be less than \$250,000 (as indexed for inflation). The law authorizing designations for this fund would be repealed if contributions made under this bill will be less than the minimum contribution amount.

This bill would allow the voluntary contribution designation to remain on the tax return for five years unless a later enacted statute deletes or extends that date.

Beginning with the third calendar year after the fund appears on the personal income tax return, FTB would adjust the minimum contribution amount for the fund by September 1 of that year. The minimum contribution amount would adjust according to the California Consumer Price Index (CCPI), as specified.

This bill would specify that if payments and credits reported on the return do not exceed the taxpayer's liability, then the taxpayer's return shall be treated as if no designation has been made. If no designee is specified, a designated contribution amount would be transferred to the General Fund.

This bill would require the Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the California Fund for Youth.

## IMPLEMENTATION CONSIDERATIONS

Implementing this bill would require some changes to existing tax forms and instructions and information systems, which could be accomplished during the normal annual update.

## TECHNICAL CONSIDERATION

Amendment 1 has been provided to correct a drafting error related to tax payments and tax credits reported on the personal income tax return.

## **FISCAL IMPACT**

This bill would not significantly impact the department's costs.

## **ECONOMIC IMPACT**

### Revenue Estimate

This bill would result in the following revenue losses:

| Estimated Revenue Impact of SB 516<br>Effective On or After January 1, 2010<br>Enactment Assumed After June 30, 2009 |            |           |           |
|--|------------|-----------|-----------|
| California Youth<br>Legislation Fund   | 2009-10    | 2010-11   | 2011-12   |
|  | No impact. | -\$15,000 | -\$15,000 |

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

### Revenue Discussion:

The estimated revenue impact of this bill would be determined by the amount of contributions to the California Fund for Youth and the subsequent itemized deduction of such contributions.

For this estimate, the following assumptions are made:

1. The Fund would be added to the 2009 return,
2. The annual contribution amount (\$250,000) would be achieved each year, and
3. An itemized deduction would be allowed and claimed for each contribution.

By applying an average marginal tax rate of 6.25 percent, the estimated revenue loss of this bill would be approximately \$15,000 annually ( $\$250,000 \times 6.25\%$ ). Because contributions reported on the 2009 tax return are actually made during the 2010 calendar year, the revenue impact would not occur until fiscal year 2010/2011.

#### **LEGISLATIVE STAFF CONTACT**

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|-------------|-----------------|
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FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO SB 516  
As Amended April 29, 2009

AMENDMENT 1

On page 2, line 14, strikeout "payment" and insert:

payments